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DEPT PLEASE PASS USDOE - TOM SPERL
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USDOC FOR MARIA RIVERO
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SUBJECT: NEW ENERGY INVESTMENT PROSPECTS IN GHANA

REF: ACCRA 1634

¶1. On August 11, A/Econ Chief and the Commercial Officer met with Ghanaian Minister of Energy Joseph Kofi Adda, at his request. The Cabinet had approved a new energy policy which identified the need to double the country's power generation in the next 5-7 years, he said. He hoped to expand access to electricity, including in rural areas. Because of government resource constraints, most of the investment in generation plants and distribution equipment will have to come from the private sector, he added. He hoped to identify new generation and distribution options by the end of 2006 and negotiate agreements in early 2007 for projects to begin in late 2007.

¶2. According to Adda, the GOG is most focused on enhancing its hydropower potential and is finalizing proposals for 16 mini-hydrors. The Chinese have been discussing the large Bui Dam hydro project (Brong-Ahafo region), but this deal is not yet finalized and the government would consider other offers.

The Chinese and Indian are constantly on the ministry's doorstep, Adda said, but he preferred the high quality and standards of U.S. companies. He noted that he had studied in the U.S. (Indiana Wesleyan and Columbia Universities) and liked U.S. products. He anticipated approval for \$350 million in EXIM Bank financing for rural electrification distribution products and he also saw growing business opportunities for U.S. companies in the oil and gas sector. Adda suggested inviting U.S. energy companies to a special event where the GOG would discuss its plans and hope to interest U.S. investment.

¶3. Emboffs responded that U.S. companies were already active in Ghana and would be interested in exploring more opportunities. We requested a detailed list of proposed projects. Commerce Officer said she would look into the possibility of recruiting a trade mission for the energy sector.

¶4. Comment: It remains to be seen if the minister will move quickly on new plants, especially given the GOG's slow decisionmaking on power projects in the past. It also remains to be seen how these anticipated new investments will be selected. Adda did not mention the word "tender" in his presentation to us. Even if open tendering is used, the tendering process can be slow and non-transparent. For example, the GOG has let a tender three times for a new 300 megawatt VRA thermal plant, without making a decision.

Nonetheless, we are cautiously optimistic. Adda is a financial economist with strong U.S. credentials. His initiative in seeking out Emboffs and his enthusiasm for attracting U.S. energy investments offers hope that the GOG may finally be taking a more urgent approach to meeting Ghana's anticipated need for 500 megawatts of new power over the next five years (see reftel for more background on the sector and its challenges).

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